Mr. FRANK of Massachusetts. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. NEY. Mr. Speaker, I have no further speakers. I just want to again thank the gentlewoman from California, MAXINE WATERS; Mr. BARNEY FRANK of Massachusetts; MIKE OXLEY, the Chair; and PAT TIBERI, of course, the author of the bill.

Mr. FRANK of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. NEY. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Speaker, the chairman of the full committee, the gentleman from Ohio (Mr. OXLEY), is, as has been announced, retiring. I do want to say that I am very proud of the extent to which our committee has worked together cooperatively.

There are obviously points of difference. There are legitimate differences between Democrats and Republicans and liberals and conservatives.

But without subsuming those or without anybody sort of abandoning his or her principles, we have been able to find that area where there is common ground like this. I do think that the chairman of the full committee deserves an enormous amount of credit for creating the atmosphere in which we were able to both pursue our differences in a civil way and then come together where we did not have differences, but had common ground.

Mr. NEY. Mr. Speaker, reclaiming my time, this is a good day for all people throughout the United States that want to achieve homeownership.

Mr. DUNCAN. Mr. Speaker, I am in strong support of H.R. 4804, the FHA Manufactured Housing Loan Modernization Act of 2006.

Manufactured homes play an important role in serving housing needs for many Americans, especially in the district I represent in East Tennessee.

I am very proud to have a leader in the manufactured housing industry, Clayton Homes, headquartered in my district. They are a company of integrity and are now operating in over 40 states across the country .

More and more people each year are moving into my district, which is one of the fastest growing areas in the country. I can understand why so many want to move there. It is a great place to live, raise a family or start a business.

All of this growth is contributing to a crisis in affordable housing. Manured home prices have increased over 50 percent since 1992. In 1992 FHA Title I insured over 30,000 Title I loans. In 2004, that number was below 2,000.

Options for financing manufactured homes are very limited. Today, there are only two private lenders that participate in the FHA program. This bill will encourage more private sector participation, creating more competition with lower interest rates and costs.

The bill increases the amount that can be insured on a loan. It removes a cent portfolio cap that only allows 10 percent of the dollar value of the lender's portfolio to be insured.

Under the proposed system in H.R. 4804, a practical program will encourage more private sector participation and increase accessibility to manufactured home loans. Making these loans more accessible will help many get out of a renting situation.

This bill will allow many a chance to own a home, a very important part of the American dream. I urge my colleagues to support H.R. 4804.

Mr. NEY. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Ohio (Mr. GILLMOR) that the House suspend the rules and pass the bill, H.R. 4804, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. NEY. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this question will be postponed.

## GENERAL LEAVE

Mr. NEY. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks on this legislation and insert extraneous material thereon.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

## EXPANDING AMERICAN HOMEOWNERSHIP ACT OF 2006

Mr. NEY. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5121) to modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes, as amended.

The Clerk read as follows:

H.R. 5121

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

(a) SHORT TITLE.—This Act may be cited as the ''Expanding American Homeownership Act of 2006''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title and table of contents.
Sec. 2. Findings and purposes.
Sec. 3. Maximum principal loan obligation.
Sec. 4. Extension of mortgage term.
Sec. 5. Cash investment requirement.
Sec. 6. Temporary reinstatement of downpayment requirement in event of increased defaults.
Sec. 7. Mortgage insurance premiums.
Sec. 8. Rehabilitation loans.
Sec. 9. Discretionary action.
Sec. 10. Insurance of condominiums.
Sec. 11. Mutual Mortgage Insurance Fund.
Sec. 12. Hawaiian home lands and Indian reservations.
Sec. 13. Conforming and technical amendments.
Sec. 14. Home equity conversion mortgages.
Sec. 15. Conforming loan limit in disaster areas.
Sec. 16. Participation of mortgage brokers and correspondent lenders.
Sec. 17. Sense of Congress regarding technology for financial systems.
Sec. 18. Savings provision.
Sec. 19. Implementation.

**SEC. 2. FINDINGS AND PURPOSES.**

(a) FINDINGS.—The Congress finds that—

(1) one of the primary missions of the Federal Housing Administration (FHA) single family mortgage insurance program is to reach borrowers who are underserved, or not served, by the existing conventional mortgage marketplace;

(2) the FHA program has a long history of innovation, which includes pioneering the 30-year self-amortizing mortgage and a safe-to-seniors reverse mortgage product, both of which were once thought too risky to private lenders;

(3) the FHA single family mortgage insurance program traditionally has been a major provider of mortgage insurance for home purchases;

(4) the FHA mortgage insurance premium structure, as well as FHA's product offerings, should be revised to reflect FHA's enhanced ability to determine risk at the loan level and to allow FHA to better respond to changes in the mortgage market;

(5) during past recessions, including the oil-patch downturns in the mid-1980s, FHA remained a viable credit enhancer and was therefore instrumental in preventing a more catastrophic collapse in housing markets and a greater loss of homeowner equity; and

(6) as housing price appreciation slows and interest rates rise, many homeowners and prospective homebuyers will need the less-expensive, safer financing alternative that FHA mortgage insurance provides.

(b) PURPOSES.—The purposes of this Act are—

(1) to provide flexibility to FHA to allow for the insurance of housing loans for low- and moderate-income homebuyers during all economic cycles in the mortgage market;

(2) to modernize the FHA single family mortgage insurance program by making it more reflective of enhancements to loan-level risk assessments and changes to the mortgage market; and

(3) to adjust the loan limits for the single family mortgage insurance program to reflect rising house prices and the increased costs associated with new construction.

**SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.**

Paragraph (2) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(2)) is amended—

(1) by striking subparagraphs (A) and (B) and inserting the following new subparagraphs:

''(A) not to exceed the lesser of—

''(i) in the case of a 1-family residence, the median 1-family house price in the area, as determined by the Secretary; and in the case of a 2-, 3-, or 4-family residence, the percentage of such median price that bears the same ratio to such median price as the dollar amount limitation in effect under section

305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family residence, respectively, bears to the dollar amount limitation in effect under such section for a 1-family residence; or

''(ii) the dollar amount limitation determined under such section 305(a)(2) for a residence of the applicable size;

except that the dollar amount limitation in effect for any area under this subparagraph may not be less than the greater of (I) the dollar amount limitation in effect under this section for the area on October 21, 1998, or (II) 65 percent of the dollar limitation determined under such section 305(a)(2) for a residence of the applicable size; and

''(B) not to exceed the appraised value of the property, plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.'';

(2) in the matter after and below subparagraph (B), by striking the second sentence (relating to a definition of ''average closing cost'') and all that follows through ''title 38, United States Code''; and

(3) by striking the last undesignated paragraph (relating to counseling with respect to the responsibilities and financial management involved in homeownership).

**SEC. 4. EXTENSION OF MORTGAGE TERM.**

Paragraph (3) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(3)) is amended—

(1) by striking ''thirty-five years'' and inserting ''forty years''; and

(2) by striking ''(or thirty years if such mortgage is not approved for insurance prior to construction)''.

**SEC. 5. CASH INVESTMENT REQUIREMENT.**

Paragraph (9) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(9) is amended by striking the paragraph designation and all that follows through ''*Provided further*, That for'' and inserting the following:

''(9) Be executed by a mortgagor who shall have paid on account of the property, in cash or its equivalent, an amount, if any, as the Secretary may determine based on factors determined by the Secretary and commensurate with the likelihood of default. For''.

**SEC. 6. TEMPORARY REINSTATEMENT OF DOWNPAYMENT REQUIREMENT IN EVENT OF INCREASED DEFAULTS.**

Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is amended by adding at the end the following new paragraph:

''(10) EFFECT OF INCREASED DEFAULTS.—

''(A) ANNUAL DETERMINATION.—If, for any calendar year described in subparagraph (B)(i), the Secretary determines, pursuant such subparagraph, that—

''(i) the ratio of the number of mortgage insurance claims made during such calendar year on mortgages insured under this section to the total number of mortgages having such insurance in force during such calendar year exceeds, by 25 percent or more, such ratio for the 12-month period ending on the effective date of this Act, or

''(ii) the ratio of the aggregate remaining principal obligation under mortgages insured under this section for which an insurance claim is made during such calendar year to the average, for such calendar year, of the aggregate outstanding principal obligation under mortgages so insured exceeds, by 25 percent or more, such ratio for the 12-month period ending on such effective date,

during the 90-day period beginning upon the submission of the report for such calendar year under subparagraph (B)(ii) containing such determination, the Secretary may insure a mortgage under this section only pursuant to the requirement under subparagraph (C), and the Secretary shall, not later than 60 days after submission of the report containing such determination, submit a report to the Congress under subparagraph (D) regarding mortgage insurance claims during such calendar year.

''(B) 5 YEARS OF ANNUAL DETERMINATIONS.—

''(i) IN GENERAL.—The Secretary shall, for each of the 5 calendar years commencing after the date of the enactment of this Act, compare the ratios referred to in subparagraph (A) and make a determination under such subparagraph.

''(ii) ANNUAL REPORT ON DEFAULTS.—Not later than 90 days after the conclusion of each of the calendar years described in clause (i), the Secretary shall submit a report to the Congress containing the determination of the Secretary under such clause with respect to such calendar year and setting forth the ratios referred to in such clause for such calendar year.

''(C) REINSTATEMENT OF DOWNPAYMENT REQUIREMENT.—The requirement under this subparagraph is that paragraph (9) of this subsection shall apply as such paragraph was in effect on the day before the effective date of the Expanding American Homeownership Act of 2006.

''(D) REPORTS REGARDING INCREASED DEFAULT RATE.—A report under this subparagraph, as required under subparagraph (A), shall contain—

''(i) an analysis of mortgage insurance claims, made during the calendar year for which the report is submitted, on mortgages insured under this section;

''(ii) an analysis of the reasons for the increase during such calendar year in the applicable ratio or ratios under subparagraph (A), including an analysis of the extent to which such increase is attributable to the amendments made by the Expanding American Homeownership Act of 2006;

''(iii) the effect of such increase on the Mutual Mortgage Insurance Fund;

''(iv) recommendations regarding—

''(I) whether the Congress should, to respond to such increase, take legislative action (aa) to apply paragraph (9) of this subsection as such paragraph was in effect on the day before the effective date of Expanding American Homeownership Act of 2006, (bb) to apply paragraph (2)(A)(ii) by substituting '87 percent of the dollar amount limitation' for 'the dollar amount limitation', or (cc) both; and

''(II) whether such provisions should be temporary or permanent, and, if temporary, the period during which such provisions should apply; and

''(v) recommendations regarding any other administrative, regulatory, legislative, or other actions that should be taken to respond to such increase.

''(E) DEFAULTS IN DISASTER AREAS NOT COUNTED FOR 24 MONTHS.—In determining the number of mortgage insurance claims made and the aggregate remaining principal obligation under mortgages for which an insurance claim is made for purposes of subparagraph (A) for any calendar year, the Secretary shall not take into consideration any claim made during such period on a mortgage on any property that is located in an area for which a major disaster was declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act if such claim was made during the 24-month period beginning upon such declaration.''.

**SEC. 7. MORTGAGE INSURANCE PREMIUMS.**

Section 203(c) of the National Housing Act (12 U.S.C. 1709(c)) is amended—

(1) in paragraph (2), in the matter preceding subparagraph (A), by striking ''Notwithstanding'' and inserting ''Except as provided in paragraph (3) and notwithstanding''; and

(2) by adding at the end the following new paragraph:

''(3) FLEXIBLE RISK-BASED PREMIUMS.—

''(A) IN GENERAL.—For any mortgage insured by the Secretary under this title that is secured by a 1- to 4-family dwelling and for which the loan application is received by the mortgagee on or after October 1, 2006, the Secretary may establish a mortgage insurance premium structure involving a single premium payment collected prior to the insurance of the mortgage or annual payments (which may be collected on a periodic basis), or both, subject to the limitations in subparagraphs (B) and (C). The rate of premium for such a mortgage may vary during the mortgage term as long as the basis for determining the variable rate is established before the execution of the mortgage. The Secretary may change a premium structure established under this subparagraph but only to the extent that such change is not applied to any mortgage already executed.

''(B) MAXIMUM UP-FRONT PREMIUM AMOUNTS.—For any mortgage insured under a premium structure established pursuant to this paragraph, the amount of any single premium payment authorized by subparagraph (A), if established and collected prior to the insurance of the mortgage, may not exceed the following amount:

''(i) Except as provided in clauses (ii) and (iii), 3.0 percent of the amount of the original insured principal obligation of the mortgage.

''(ii) If the mortgagor has a credit score equivalent to a FICO score of 560 or more and has paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured), 2.25 percent of the original insured principal obligation of the mortgage.

''(iii) If the annual premium payment is equal to the maximum amount allowable under clause (i) of subparagraph (C), 1.5 percent of the amount of the original insured principal obligation of the mortgage.

''(C) MAXIMUM ANNUAL PREMIUM AMOUNTS.—For any mortgage insured under a premium structure established pursuant to this paragraph, the amount of any annual premium payment collected may not exceed the following amount:

''(i) Except as provided in clauses (ii) and (iii), 2.0 percent of the remaining insured principal obligation of the mortgage.

''(ii) If the mortgagor is a mortgagor described in clause (ii) of subparagraph (B), 0.55 percent of the remaining insured principal obligation of the mortgage.

''(iii) If the single premium payment collected at the time of insurance is equal to maximum amount allowable under clause (i) of subparagraph (B), 1.0 percent of the remaining insured principal obligation of the mortgage.

''(D) PAYMENT INCENTIVE.—Notwithstanding subparagraph (C), for any mortgage insured under a premium structure established pursuant to this paragraph and for which the annual premium payment exceeds the amount set forth in subparagraph (C)(ii), if during the 5-year period beginning upon the time of insurance all mortgage insurance premiums for such mortgage have been paid on a timely basis, upon the expiration of such period the Secretary shall reduce the amount of the annual premium payments due thereafter under such mortgage to an amount equal to the amount set forth in subparagraph (C)(ii).

''(E) ESTABLISHMENT AND ALTERATION OF PREMIUM STRUCTURE.—A premium structure shall be established or changed under subparagraph (A) only by providing notice to mortgagees and to the Congress, at least 30

days before the premium structure is established or changed.

''(F) CONSIDERATIONS FOR PREMIUM STRUCTURE.—When establishing a premium structure under subparagraph (A) or when changing such a premium structure, the Secretary shall consider the following:

''(i) The effect of the proposed premium structure on the Secretary's ability to meet the operational goals of the Mutual Mortgage Insurance Fund as provided in section 202(a).

''(ii) Underwriting variables.

''(iii) The extent to which new pricing under the proposed premium structure has potential for acceptance in the private market.

''(iv) The administrative capability of the Secretary to administer the proposed premium structure.

''(v) The effect of the proposed premium structure on the Secretary's ability to maintain the availability of mortgage credit and provide stability to mortgage markets.''.

**SEC. 8. REHABILITATION LOANS.**

Subsection (k) of section 203 of the National Housing Act (12 U.S.C. 1709(k)) is amended—

(1) in paragraph (1), by striking ''on'' and all that follows through ''1978''; and

(2) in paragraph (5)—

(A) by striking ''General Insurance Fund'' the first place it appears and inserting ''Mutual Mortgage Insurance Fund''; and

(B) in the second sentence, by striking the comma and all that follows through ''General Insurance Fund''.

**SEC. 9. DISCRETIONARY ACTION.**

The National Housing Act is amended—

(1) in subsection (e) of section 202 (12 U.S.C. 1708(e))—

(A) in paragraph (3)(B), by striking ''section 202(e) of the National Housing Act'' and inserting ''this subsection''; and

(B) by redesignating such subsection as subsection (f);

(2) by striking paragraph (4) of section 203(s) (12 U.S.C. 1709(s)(4)) and inserting the following new paragraph:

''(4) the Secretary of Agriculture;''; and

(3) by transferring subsection (s) of section 203 (as amended by paragraph (2) of this section) to section 202, inserting such subsection after subsection (d) of section 202, and redesignating such subsection as subsection (e).

**SEC. 10. INSURANCE OF CONDOMINIUMS.**

(a) IN GENERAL.—Section 234 of the National Housing Act (12 U.S.C. 1715y) is amended—

(1) in subsection (c)—

(A) in the first sentence—

(i) by striking ''and'' before ''(2)''; and

(ii) by inserting before the period at the end the following: '', and (3) the project has a blanket mortgage insured by the Secretary under subsection (d)''; and

(B) in clause (B) of the third sentence, by striking ''thirty-five years'' and inserting ''forty years''; and

(2) in subsection (g), by striking '', except that'' and all that follows and inserting a period.

(b) DEFINITION OF MORTGAGE.—Section 201(a) of the National Housing Act (12 U.S.C. 1707(a)) is amended—

(1) in clause (1), by striking ''or'' and inserting a comma; and

(2) by inserting before the semicolon the following: '', or (c) a first mortgage given to secure the unpaid purchase price of a fee interest in, or long-term leasehold interest in, a one-family unit in a multifamily project, including a project in which the dwelling units are attached, semi-detached, or detached, and an undivided interest in the common areas and facilities which serve the project''.

**SEC. 11. MUTUAL MORTGAGE INSURANCE FUND.**

(a) IN GENERAL.—Subsection (a) of section 202 of the National Housing Act (12 U.S.C. 1708(a)) is amended to read as follows:

''(a) MUTUAL MORTGAGE INSURANCE FUND.—

''(1) ESTABLISHMENT.—Subject to the provisions of the Federal Credit Reform Act of 1990, there is hereby created a Mutual Mortgage Insurance Fund (in this title referred to as the 'Fund'), which shall be used by the Secretary to carry out the provisions of this title with respect to mortgages insured under section 203. The Secretary may enter into commitments to guarantee, and may guarantee, such insured mortgages.

''(2) LIMIT ON LOAN GUARANTEES.—The authority of the Secretary to enter into commitments to guarantee such insured mortgages shall be effective for any fiscal year only to the extent that the aggregate original principal loan amount under such mortgages, any part of which is guaranteed, does not exceed the amount specified in appropriations Acts for such fiscal year.

''(3) FIDUCIARY RESPONSIBILITY.—The Secretary has a responsibility to ensure that the Mutual Mortgage Insurance Fund remains financially sound.

''(4) ANNUAL INDEPENDENT ACTUARIAL STUDY.—The Secretary shall provide for an independent actuarial study of the Fund to be conducted annually, which shall analyze the financial position of the Fund. The Secretary shall submit a report annually to the Congress describing the results of such study and assessing the financial status of the Fund. The report shall recommend adjustments to underwriting standards, program participation, or premiums, if necessary, to ensure that the Fund remains financially sound.

''(5) QUARTERLY REPORTS.—During each fiscal year, the Secretary shall submit a report to the Congress for each quarter, which shall specify for mortgages that are obligations of the Fund—

''(A) the cumulative volume of loan guarantee commitments that have been made during such fiscal year through the end of the quarter for which the report is submitted;

''(B) the types of loans insured, categorized by risk;

''(C) any significant changes between actual and projected claim and prepayment activity;

''(D) projected versus actual loss rates; and

''(E) updated projections of the annual subsidy rates to ensure that increases in risk to the Fund are identified and mitigated by adjustments to underwriting standards, program participation, or premiums, and the financial soundness of the Fund is maintained.

The first quarterly report under this paragraph shall be submitted on the last day of the first quarter of fiscal year 2007, or upon the expiration of the 90-day period beginning on the date of the enactment of the Expanding American Homeownership Act of 2006, whichever is later.

''(6) ADJUSTMENT OF PREMIUMS.—If, pursuant to the independent actuarial study of the Fund required under paragraph (5), the Secretary determines that the Fund is not meeting the operational goals established under paragraph (8) or there is a substantial probability that the Fund will not maintain its established target subsidy rate, the Secretary may either make programmatic adjustments under section 203 as necessary to reduce the risk to the Fund, or make appropriate premium adjustments.

''(7) OPERATIONAL GOALS.—The operational goals for the Fund are—

''(A) to charge borrowers under loans that are obligations of the Fund an appropriate premium for the risk that such loans pose to the Fund;

''(B) to minimize the default risk to the Fund and to homeowners;

''(C) to curtail the impact of adverse selection on the Fund; and

''(D) to meet the housing needs of the borrowers that the single family mortgage insurance program under this title is designed to serve.''.

(b) OBLIGATIONS OF FUND.—The National Housing Act is amended as follows:

(1) HOMEOWNERSHIP VOUCHER PROGRAM MORTGAGES.—In section 203(v) (12 U.S.C. 1709(v))—

(A) by striking ''Notwithstanding section 202 of this title, the'' and inserting ''The''; and

(B) by striking ''General Insurance Fund'' the first place such term appears and all that follows and inserting ''Mutual Mortgage Insurance Fund.''.

(2) HOME EQUITY CONVERSION MORTGAGES.—Section 255(i)(2)(A) of the National Housing Act (12 U.S.C. 1715z–20(i)(2)(A)) is amended by striking ''General Insurance Fund'' and inserting ''Mutual Mortgage Insurance Fund''.

(c) CONFORMING AMENDMENTS.—The National Housing Act is amended—

(1) in section 205 (12 U.S.C. 1711), by striking subsections (g) and (h); and

(2) in section 519(e) (12 U.S.C. 1735c(e)), by striking ''203(b)'' and all that follows through ''203(i)'' and inserting ''203, except as determined by the Secretary''.

**SEC. 12. HAWAIIAN HOME LANDS AND INDIAN RESERVATIONS.**

(a) HAWAIIAN HOME LANDS.—Section 247(c) of the National Housing Act (12 U.S.C. 1715z–12) is amended—

(1) by striking ''General Insurance Fund established in section 519'' and inserting ''Mutual Mortgage Insurance Fund''; and

(2) in the second sentence, by striking ''(1) all references'' and all that follows through ''and (2)''.

(b) INDIAN RESERVATIONS.—Section 248(f) of the National Housing Act (12 U.S.C. 1715z–13) is amended—

(1) by striking ''General Insurance Fund'' the first place it appears through ''519'' and inserting ''Mutual Mortgage Insurance Fund''; and

(2) in the second sentence, by striking ''(1) all references'' and all that follows through ''and (2)''.

**SEC. 13. CONFORMING AND TECHNICAL AMENDMENTS.**

(a) REPEALS.—The following provisions of the National Housing Act are repealed:

(1) Subsection (i) of section 203 (12 U.S.C. 1709(i)).

(2) Subsection (o) of section 203 (12 U.S.C. 1709(o)).

(3) Subsection (p) of section 203 (12 U.S.C. 1709(p)).

(4) Subsection (q) of section 203 (12 U.S.C. 1709(q)).

(5) Section 222 (12 U.S.C. 1715m).

(6) Section 237 (12 U.S.C. 1715z–2).

(7) Section 245 (12 U.S.C. 1715z–10).

(b) DEFINITION OF AREA.—Section 203(u)(2)(A) of the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is amended by striking ''shall'' and all that follows and inserting ''means a metropolitan statistical area as established by the Office of Management and Budget;''.

(c) DEFINITION OF STATE.—Section 201(d) of the National Housing Act (12 U.S.C. 1707(d)) is amended by striking ''the Trust Territory of the Pacific Islands'' and inserting ''the Commonwealth of the Northern Mariana Islands''.

**SEC. 14. HOME EQUITY CONVERSION MORTGAGES.**

(a) IN GENERAL.—Section 255 of the National Housing Act (12 U.S.C. 1715z–20) is amended—

(1) in subsection (g)—

(A) by striking the first sentence; and

(B) by striking ''established under section 203(b)(2)'' and all that follows through ''located'' and inserting ''limitation established under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a 1-family residence'';

(2) in subsection (i)(1)(C), by striking ''limitations'' and inserting ''limitation''; and

(3) by adding at the end the following new subsection:

''(n) AUTHORITY TO INSURE HOME PURCHASE MORTGAGE.—

''(1) IN GENERAL.—Notwithstanding any other provision in this section, the Secretary may insure, upon application by a mortgagee, a home equity conversion mortgage upon such terms and conditions as the Secretary may prescribe, when the primary purpose of the home equity conversion mortgage is to enable an elderly mortgagor to purchase a 1-to 4 family dwelling in which the mortgagor will occupy or occupies one of the units.

''(2) LIMITATION ON PRINCIPAL OBLIGATION.—A home equity conversion mortgage insured pursuant to paragraph (1) shall involve a principal obligation that does not exceed the dollar amount limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of the applicable size.''.

(b) MORTGAGES FOR COOPERATIVES.—Subsection (b) of section 255 of the National Housing Act (12 U.S.C. 1715z-20(b)) is amended—

(1) in paragraph (4)—

(A) by inserting ''a first or subordinate mortgage or lien'' before ''on all stock'';

(B) by inserting ''unit'' after ''dwelling''; and

(C) by inserting ''a first mortgage or first lien'' before ''on a leasehold''; and

(2) in paragraph (5), by inserting ''a first or subordinate lien on'' before ''all stock''.

(c) STUDY REGARDING MORTGAGE INSURANCE PREMIUMS.—The Secretary of Housing and Urban Development shall conduct a study regarding mortgage insurance premiums charged under the program under section 255 of the National Housing Act (12 U.S.C. 1715z-20) for insurance of home equity conversion mortgages to analyze and determine—

(1) the effects of reducing the amounts of such premiums from the amounts charged as of the date of the enactment of this Act on—

(A) costs to mortgagors; and

(B) the financial soundness of the program; and

(2) the feasibility and effectiveness of exempting, from all the requirements under the program regarding payment of mortgage insurance premiums (including both up-front or annual mortgage insurance premiums under section 203(c)(2) of such Act), any mortgage insured under the program under which part or all of the amount of future payments made to the homeowner are used for costs of a long-term care insurance contract covering the mortgagor or members of the household residing in the mortgaged property.

Not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the Secretary shall submit a report to the Congress setting forth the results and conclusions of the study.

**SEC. 15. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

Section 203(h) of the National Housing Act (12 U.S.C. 1709) is amended—

(1) by inserting after ''property'' the following: ''plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary,'';

(2) by striking the second sentence (as added by chapter 7 of the Emergency Supplemental Appropriations Act of 1994 (Public Law 103–211; 108 Stat. 12)); and

(3) by adding at the end the following new sentence: ''In any case in which the single family residence to be insured under this subsection is within a jurisdiction in which the President has declared a major disaster to have occurred, the Secretary is authorized, for a temporary period not to exceed 36 months from the date of such Presidential declaration, to enter into agreements to insure a mortgage which involves a principal obligation of up to 100 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, and not in excess of 100 percent of the appraised value of the property plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.''.

**SEC. 16. PARTICIPATION OF MORTGAGE BROKERS AND CORRESPONDENT LENDERS.**

(a) DEFINITIONS.—

(1) IN GENERAL.—Section 201 of the National Housing Act (12 U.S.C. 1707) is amended—

(A) by striking ''As used in section 203 of this title—'' and inserting ''As used in this title and for purposes of participation in insurance programs under this title, except as specifically provided otherwise, the following definitions shall apply:'';

(B) by striking subsection (b) and inserting the following:

''(2) The term 'mortgagee' means any of the following entities, and its successors and assigns, to the extent such entity is approved by the Secretary:

''(A) A lender or correspondent lender, who—

''(i) makes, underwrites, and services mortgages;

''(ii) submits to the Secretary such financial audits performed in accordance with the standards for financial audits of the Government Auditing Standards issued by the Comptroller of the United States;

''(iii) meet the minimum net worth requirement that the Secretary shall establish; and

''(iv) complies with such other requirements as the Secretary may establish.

''(B) A correspondent lender who—

''(i) closes a mortgage in its name but does not underwrite or service the mortgage;

''(ii) posts a surety bond, in lieu of any requirement to provide audited financial statements or meet a minimum net worth requirement, in—

''(I) a form satisfactory to the Secretary; and

''(II) an amount of $75,000, as such amount is adjusted annually by the Secretary (as determined under regulations of the Secretary) by the change for such year in the Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the Department of Labor; and

''(iii) complies with such other requirements as the Secretary may establish.

''(C) A mortgage broker who—

''(i) closes the mortgage in the name of the lender and does not make, underwrite, or service the mortgage;

''(ii) is licensed, under the laws of the State in which the property that is subject to the mortgage is located, to act as a mortgage broker in such State;

''(iii) posts a surety bond in accordance with the requirements of subparagraph (B)(ii); and

''(iv) complies with such other requirements as the Secretary may establish.

''(3) The term 'mortgagor' includes the original borrower under a mortgage and the successors and assigns of the original borrower.'';

(C) in subsection (a), by redesignating clauses (1) and (2) as clauses (A) and (B) respectively; and

(D) by redesignating subsections (a), (c), (d), (e), and (f) as paragraphs (1), (4), (5), (6), and (7), respectively, and realigning such paragraphs two ems from the left margin.

(2) MORTGAGEE REVIEW.—Section 202(c)(7) of the National Housing Act (12 U.S.C. 1708(c)(7)) is amended—

(A) in subparagraph (A), by inserting '', as defined in section 201,'' after ''mortgagee'';

(B) by striking subparagraph (B); and

(C) by redesignating subpargraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(3) MULTIFAMILY RENTAL HOUSING INSURANCE.—Section 207(a)(2) of the National Housing Act (12 U.S.C. 1713(a)(2)) is amended by striking ''means the original lender under a mortgage, and its successors and assigns, and'' and inserting ''has the meaning given such term in section 201, except that such term also''.

(4) WAR HOUSING INSURANCE.—Section 601(b) of the National Housing Act (12 U.S.C. 1736(b)) is amended by striking ''includes the original lender under a mortgage, and his successors and assigns approved by the Secretary'' and inserting ''has the meaning given such term in section 201''.

(5) ARMED SERVICES HOUSING MORTGAGE INSURANCE.—Section 801(b) of the National Housing Act (12 U.S.C. 1748(b)) is amended by striking ''includes the original lender under a mortgage, and his successors and assigns approved by the Secretary'' and inserting ''has the meaning given such term in section 201''.

(6) GROUP PRACTICE FACILITIES MORTGAGE INSURANCE.—Section 1106(8) of the National Housing Act (12 U.S.C. 1749aaa-5(8)) is amended by striking ''means the original lender under a mortgage, and his or its successors and assigns, and'' and inserting ''has the meaning given such term in section 201, except that such term also''.

(b) ELIGIBILITY FOR INSURANCE.—

(1) TITLE I.—Paragraph (1) of section 8(b) of the National Housing Act (12 U.S.C. 1706c(b)(1)) is amended—

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(2) SINGLE FAMILY HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(1)) is amended

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(3) SECTION 221 MORTGAGE INSURANCE.—Paragraph (1) of section 221(d) of the National Housing Act (12 U.S.C. 1715l(d)(1)) is amended—

(A) by striking '' and be held by''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(4) HOME EQUITY CONVERSION MORTGAGE INSURANCE.—Paragraph (1) of section 255(d) of the National Housing Act (12 U.S.C. 1715z-20(d)(1)) is amended by striking ''as responsible and able to service the mortgage properly''.

(5) WAR HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 603(b) of the National Housing Act (12 U.S.C. 1738(b)(1)) is amended—

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(6) WAR HOUSING MORTGAGE INSURANCE FOR LARGE-SCALE HOUSING PROJECTS.—Paragraph

(1) of section 611(b) of the National Housing Act (12 U.S.C. 1746(b)(1)) is amended—

(A) by striking '' and be held by''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(7) GROUP PRACTICE FACILITY MORTGAGE INSURANCE.—Section 1101(b)(2) of the National Housing Act (12 U.S.C. 1749aaa(b)(2)) is amended—

(A) by striking '' and held by''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(8) NATIONAL DEFENSE HOUSING INSURANCE.—Paragraph (1) of section 903(b) of the National Housing Act (12 U.S.C. 1750b(b)(1)) is amended—

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

**SEC. 17. SENSE OF CONGRESS REGARDING TECHNOLOGY FOR FINANCIAL SYSTEMS.**

(a) CONGRESSIONAL FINDINGS.—The Congress finds the following:

(1) The Government Accountability Office has cited the FHA single family housing mortgage insurance program as a ''high-risk'' program, with a primary reason being non-integrated and out-dated financial management systems.

(2) The ''Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2004 and 2003'', conducted by the Inspector General of the Department of Housing and Urban Development reported as a material weakness that ''HUD/FHA's automated data processing [ADP] system environment must be enhanced to more effectively support FHA's business and budget processes''.

(3) Existing technology systems for the FHA program have not been updated to meet the latest standards of the Mortgage Industry Standards Maintenance Organization and have numerous deficiencies that lenders have outlined.

(4) Improvements to technology used in the FHA program will—

(A) allow the FHA program to improve the management of the FHA portfolio, garner greater efficiencies in its operations, and lower costs across the program;

(B) result in efficiencies and lower costs for lenders participating in the program, allowing them to better use the FHA products in extending homeownership opportunities to higher credit risk or lower-income families, in a sound manner

(5) The Mutual Mortgage Insurance Fund operates without cost to the taxpayers and generates revenues for the Federal Government.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that—

(1) the Secretary of Housing and Urban Development should use a portion of the funds received from premiums paid for FHA single family housing mortgage insurance that are in excess of the amounts paid out in claims to substantially increase the funding for technology used in such FHA program;

(2) the goal of this investment should be to bring the technology used in such FHA program to the level and sophistication of the technology used in the conventional mortgage lending market, or to exceed such level; and

(3) the Secretary of Housing and Urban Development should report to the Congress not later than 180 days after the date of the enactment of this Act regarding the progress the Department is making toward such goal and if progress is not sufficient, the resources needed to make greater progress.

**SEC. 18. SAVINGS PROVISION.**

Any mortgage insured under title II of the National Housing Act before the date of enactment of this title shall continue to be governed by the laws, regulations, orders, and terms and conditions to which it was subject on the day before the date of the enactment of this Act.

**SEC. 19. IMPLEMENTATION.**

The Secretary of Housing and Urban Development shall by notice establish any additional requirements that may be necessary to immediately carry out the provisions of this title. The notice shall take effect upon issuance.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Ohio (Mr. NEY) and the gentlewoman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentleman from Ohio.

Mr. NEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of H.R. 5121, the Expanding American Homeownership Act of 2006. This is a very important piece of legislation. It proposes comprehensive reform of the Federal Housing Administration, known as FHA, single family mortgage insurance activities. Giving FHA the ability to offer an array of products will allow it to more fairly price its guarantee to the individual borrowers and will allow it to base each borrower's mortgage insurance premium on the risk that the borrower poses to the FHA mortgage insurance fund.

Under this proposal, the mortgage insurance premiums will consider the borrower's credit history, loan-to-value ratio, debt-to-income ratio, and will be based on FHA's historical experience with similar borrowers.

This change will decrease premiums for many of the FHA's traditional borrowers, thereby increasing their access to homeownership. It will also allow FHA to reach potential homebuyers who for various reasons do not currently qualify for an FHA loan product.

H.R. 5121 would allow FHA to become more efficient and streamlined. Modernizing FHA will improve competition in the prime home loan mortgage industry, and effectively assist the industry in combating abusive and/or discriminatory lending practices. This bill would not create a new government program. Rather, it would significantly modernize the National Housing Act while reforming and empowering the agency, thereby addressing some of the agency's limitations.

More importantly, I believe that, if enacted, this bill will help further increase the country's homeownership rate, especially among low- and moderate-income and minority families. Since its inception in 1934, FHA has played an innovative role in financing homeownership and affordable housing opportunities for all Americans.

Over the past 8 years alone, FHA has financed nearly 8 million homes and over 754,000 units of affordable rental housing. The mortgage market has changed dramatically in recent years, creating what is today the world's most sophisticated real estate finance system.

This system has led to the highest rate of homeownership in U.S. history and to the efficient production of thousands of units of affordable rental housing each year.

However, in more recent times, FHA has been a mortgage insurer of the last resort. Potential homeowners who can participate in the private mortgage insurance market do so. I believe this is because FHA has become costly and the paperwork unmanageable. Thus, only the riskiest borrowers now use FHA for mortgage insurance.

Moreover, while the prime market remained relatively constant, the nonprime market between 2003 and 2005 grew from $118 billion to $650 billion in mortgages, while FHA went from insuring 9.2 percent to 4.1 percent of the Nation's mortgages. It is important to distinguish the difference between subprime lending, which is necessary and critical for nontraditional borrowers, and predatory/abusive lending, which is designed to take advantage of vulnerable Americans pursuing their American dream of homeownership.

While not predatory, the subprime market is not working for many families. These are the families FHA is really designed to reach. Among other things, H.R. 5121 would allow FHA to provide alternative access as well as standardization of a market niche designed to follow the agency's example.

Moreover, the Federal Government will always have a need for an agency to provide the type of services symbolized by the FHA. While the agency only has a market share of approximately 3 to 4 percent, elimination of FHA will be disastrous if a capital mortgage financial crisis emerges, such as we saw in the United States in the 1980s.

Further, it would be impossible to recreate this agency to respond rapidly to a housing homeownership crisis that could possibly, we hope not, but emerge in the future. H.R. 5121 will allow FHA to fulfill its original mission when similar circumstances exist. In 1934, interest-only and balloon payments were prevalent. Thus, FHA was established to give the private sector avenues to provide long-term fixed-rate financing.

Today, FHA continues to serve its original purpose by giving low- to moderate-income home buyers a safer, more affordable financing option for their homeownership. Mr. Speaker, we have a chance with this legislation to bring FHA back into business and to restore the FHA product to its traditional market position.

American families need safe options when purchasing a home at a fair price. Families need a way to take part in the American Dream without putting themselves at risk. Families, frankly, Mr. Speaker, need FHA.

I just want to conclude my comments for this time by saying this is, in my opinion, one of the most critical pieces of legislation, and if we haven't acted as we have, I wonder where the future of FHA would be, therefore helping so many Americans across this country.

Mr. Speaker, I want to thank the gentlewoman from California (Ms. WATERS), who stepped up to the plate to address what I consider one of the most important pieces of legislation in quite a few years, of keeping the FHA alive by revitalizing it, by changing it, by streamlining it to help so many people.

I appreciate also Ranking Member FRANK, Chairman MIKE OXLEY, of course, and all of the members of the committee and the staff who have worked on a bipartisan basis to do, I think, a critically needed and wonderful thing. If we did not step up to the plate with this piece of legislation, I wonder what options would be out there for many, many citizens wanting homeownership.

Mr. Speaker, I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield myself such time as I may consume.

(Ms. WATERS asked and was given permission to revise and extend her remarks, and include extraneous material.)

Ms. WATERS. Mr. Speaker, before I start on my comments, I would like to thank Chairman NEY for his leadership on this legislation. Chairman NEY first envisioned the possibility of this legislation, and despite all of the possible obstacles to getting it passed, he persisted in bringing people together, to dealing with all of those obstacles, and today we are on the floor because of his leadership.

But it certainly could not have happened without my ranking member, Mr. FRANK, who has the ability to see things in legislation that no one else sees and to bring it to our attention, and to fix what is wrong, and to give support to what is good and helpful when we are trying to pass a significant piece of legislation.

□ 1245

I would like to thank him, and certainly Chairman OXLEY. As Mr. FRANK said, he is retiring. He will be leaving us. But he has been a chairman who has been fair, he has provided opportunities for all of the members of our committee. He has worked with the subcommittee chairs and ranking members, and we are certainly going to miss him.

I rise in strong support as an original sponsor of H.R. 5121, the Expanding American Homeownership Act of 2006, which represents a major achievement by the Committee on Financial Services and the Subcommittee on Housing and Community Opportunity.

As I said, the leaders, Mr. OXLEY, Mr. FRANK, Mr. NEY, and all of the other members of the subcommittees who cooperated, deserve a lot of credit for this bill. But I have to mention the staff. The staff on both sides of the aisle worked so hard into long hours of the night helping to straighten out very complicated problems with this bill, and it is because of their dedication and their concentrated work that we are able to be on the floor today. They were also very helpful in working with a rather broad-based coalition that supported this bill, who stand in support of this bill including housing, consumer, and advocacy groups, the National Association of Realtors, the Mortgage Bankers Association, the mortgage brokers. We have a combination of support behind this bill which makes it a strong piece of legislation. This unique piece of legislation is unusual not only because of the combination of support; it reflects a real consensus that FHA can indeed be relevant in today's market.

When Congress enacted legislation in 1934 creating FHA, it intended that the government would make the dream of owning a home a reality for as many Americans as possible. FHA was established under the National Housing Act more than 70 years ago to improve housing standards and conditions. The goal of FHA was to provide an adequate home financing system with access for the average American. FHA pioneered many programs, including the 30-year mortgage. Not only has FHA been a pioneer in housing, it has been a major tool for first-time home buyers and moderate-income families.

Just imagine 70 years ago in 1934 as America was coming out of the worst depression in its history and the impact that FHA had on homeownership. FHA was a brilliant idea then, as it will be again through passage of this bill.

H.R. 5121 is appropriately named the Expanding American Homeownership Act of 2006 because it will, indeed, expand homeownership opportunities for all Americans. There is unequivocal evidence that, without FHA, many first-time home buyers and low- to moderate-income persons would not be able to afford a home. Americans have grown accustomed to FHA for mortgage insurance, guaranteeing their entry into the coveted arena of homeownership.

FHA had come to rely on first-time home buyers and low- to moderate-income persons to justify its existence. In the last few years, however, FHA watched as its share of the mortgage insurance market dwindle, and the groups it traditionally served disappeared. Between 2003 and 2005, nonprime loans grew from $332 billion to $550 billion, more than a 100 percent increase. As a result of this phenomenon, FHA market share fell dramatically. FHA was forced to become the mortgage insurer of last resort rather than the preferred insurer. Without viable FHA alternatives, many home buyers, first-time buyers, minority buyers, and home buyers with less than perfect credit fled FHA for the subprime market, leaving many with few affordable options.

Some have been forced to turn to high cost financing and nontraditional loan products. While these are acceptable for certain borrowers, they can have devastating consequences for others. In fact, when we began consideration of this bill, the foreclosure rate for non-prime loans was approximately twice that of prime loans.

By providing consumers with choice, H.R. 5121 will provide FHA the flexibility to set mortgage insurance premiums consistent with the risk of the loan. FHA will use the borrower's total credit score profile when setting the insurance premium. Borrowers who are low credit risk will pay a lower insurance premium, while borrowers who pose a higher credit risk will be charged a slightly higher premium. As such, FHA will reach deeper into the pool of perspective borrowers while guaranteeing the soundness of the FHA fund.

In the 35th Congressional District in California that I serve, 2,064 loans were insured by FHA in 2001, but only 74 loans were made in 2005. Similarly, FHA programs have been seriously curtailed in just about every region of the country, resulting in fewer and fewer home purchases supported by FHA programs. H.R. 5121 will increase FHA home limits. In many areas of the country, the existing FHA loan limits are lower than the cost of new construction or the median home price. In other areas, FHA had been priced out of the market. As indicated in the committee report that we filed with this legislation, in 1999, FHA insured 127,000 loans in California, while a mere 5,000 loans were insured by FHA in 2005, representing less than 5 percent of the 1999 level. Because FHA business diminished dramatically during this period, in my view, American homeownership did not expand as much as possible. The FHA loan limit of $362,790 in Los Angeles, California indicated that FHA was essentially no longer relevant in that housing market.

Mr. Speaker, I reserve the balance of my time.

Mr. NEY. Mr. Speaker, I do not have any other speakers.

I did want to take this time to say that I want to also thank Commissioner Brian Montgomery of the FHA. He is really one of those people when he started this, he came into the offices and talked to everybody, he really should probably take off his tie and have a t-shirt that says, ''I'm from the government, I'm here to help you.'' He has a lot of enthusiasm and a lot of belief in this program, and cooperated so much for this important bill. I just want to say that, again, I want to thank the gentlewoman from California, Mr. FRANK, Mr. OXLEY, both sides of the aisle, and the staff. A wonderful staff.

We present a bill today, it looks kind of easy. A lot of hours were put into it. And also some wonderful, thoughtful suggestions came from Ms. WATERS, from Mr. FRANK, to take a good bill and I think help improve and make it better, and we appreciated those changes in working with all of you on this issue.

I can't stress, Mr. Speaker, how important a bill this is. If we didn't step

up to the plate now, I really wonder where the FHA would be.

Mr. Speaker, I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield 5 minutes to the gentleman from Massachusetts, who was singularly responsible for helping to negotiate many of the difficulties in this bill and made it possible for us to form a consensus.

Mr. FRANK of Massachusetts. Mr. Speaker, I thank my colleague. And I must say, I am very pleased that, having worked together, that the relationship of ranking member of the full committee and ranking member of the subcommittee or chairman of a full committee and the chairman of a subcommittee, nobody planned that to work as smoothly. You have to work at it, and with kind of overlapping responsibilities. I am very proud of the very constructive work we have done together, along with our counterparts on the other side.

I agree with what has been said about this bill. It takes the FHA and makes it a more important entity.

On one issue, the high cost loan limits, for much of the district that I represent in Massachusetts, the FHA might as well be on the moon because the median house prices in my district are beyond what the FHA could do. And I was glad to work with my colleague, the gentleman from California, who has joined us, Mr. MILLER, to make it realistic. People have said, well, you are creating homes for the wealthiest. No. What we have is a situation where, if you don't do it by median house price, middle income borrowers are priced out of the market because of the price of the house.

And, of course, people said, well, you are going to be squeezing out lower income people. No. When the FHA makes those loans to people at the median income in the high-cost areas, that makes money for the FHA. And I want to stress that. This is a money maker bill. This is a bill that expands housing, but it will make money for the Treasury. The FHA, in our accounting term it is called a negative subsidy. A negative subsidy means you put money in. And, the FHA is a net contributor. I think at some point we might look at expanding some of what we do at the FHA without further increasing the cost to the Treasury. But this is a bill that expands housing opportunities and makes money for the Treasury.

There is one particular part I want to address, and the gentlewoman from California generously mentioned it and the gentleman from Ohio was helpful on this. We do, in this bill, extend FHA's authority to lend to people who have lower credit scores, people who are bigger risks. And when that happens, you have to worry about higher defaults.

I did not think we, the Federal Government, should be in the position of saying that, as we lend to people who are bigger risks, we should take that risk pool and make those people who are higher risks who meet their obligations pay for the people who are higher risks who don't. In other words, yes, we understand that. As you reach down into a lower credit sector, and there is a correlation with income there, obviously, you are going to have more defaults and we have to pay for the defaults. But it is not fair, and we the Federal Government should not set the principle that one low-income person or 10 low-income people who meet their responsibilities are the ones who have to make up for the low-income person who isn't able to.

Now, this bill doesn't entirely meet my desires in this respect, but it does set this important principle. Yes, it says if you are of a low credit score, you will have to pay some more. But after 5 years under this bill, if you have been meeting your obligations, you then no longer have to pay more on the annual basis. Thus, it seems to be both an incentive for people to keep their payments but also a matter of fairness. I don't see why, if I am someone with a low credit score and I am making my payments in a responsible way, I should have to shoulder the burden of those people who aren't able to make their payments any more than anybody else.

Now, as I said, this doesn't go as far as I would like, but it sets that important principle. And the other thing I would note is this: We give FHA the authority to go up to certain levels for the borrowers with lower credit, but they are not mandated. And I would urge my friends in the FHA, and they have worked with us and I appreciate it and some of them are here today observing, as is fitting given the cooperative effort we had here.

As we go forward, given that the FHA makes money, let's refrain from penalizing the responsible low credit people. And they are the great majority, by the way. Nobody thinks that you are going to have a majority of them default. Let's say to those lower credit borrowers who meet their obligations that we are not going to try to make them be held responsible for others who can't make it. That is something, if it has to be done, could be more fairly done across the board.

So I am very appreciable of the things in the bill, the increase in the loan limits, the reaching out to other entities to be able to function and reaching out to give people an alternative to predatory lending, and it is important that we set the principle. As we give people an alternative to what might be predatory loans in the purely private sector, we do it in a way that will give people of lower credit recognition that if they are responsible and meet their payments, they will no longer be put under the gun. I think we have further to go there, and as experience works out, I will be pushing for that.

But it is very important that we set that principle, and I am grateful to the gentleman from Ohio, to my good friend from California who has done such great work in the housing area, and to the people in the administration who worked out an agreement with us to get this principle set forward.

Mr. NEY. Mr. Speaker, at this time, I would like to yield 5 minutes to the gentleman from California (Mr. GARY G. MILLER), the vice chairman of the Housing Opportunity Subcommittee who has done unbelievable work in so many areas to help with the housing bills.

Mr. GARY G. MILLER of California. Mr. Speaker, I want to thank Chairman NEY and MIKE OXLEY for their help in this area. That is an issue that BARNEY FRANK and I have worked on for quite a few years. We started out with a GSE, government sponsored enterprise, which is Fannie and Freddie, trying to reform that concept in high-cost areas.

□ 1300

We found out that many people in high-cost areas, such as Mr. FRANK's district and my district in California and MAXINE WATERS' district, because of the rising costs of houses, people could not qualify for conforming loan limits. We had to raise the conforming rates in the high-cost areas, and the same problem once we completed that was realized in FHA.

BARNEY and I took this on a few years ago, trying to take a system that has been up and running for 70 years and conform that system to today's marketplace. It has basically become so antiquated that many people in high-cost areas could not qualify for an FHA loan. In fact, I would talk to brokers and lenders in my district that have not been able to process an FHA loan in years because the system is so structured and the costs have gone up so high in housing marketplaces, that you have taken a situation where first-time and low-income buyers could not qualify; or if they had to go to a conventional loan because of the high loan-to-value ratios, they couldn't get those loans. And because of the payment-to-income ratios, they couldn't qualify for conventional. That is why FHA is an extremely viable option for these people.

When I say ''these people,'' I am talking about the people who work in our districts: teachers, nurses, firemen, policemen. They live in areas that they often travel in California an hour and a half to 2 hours just to get to work because they cannot afford to buy a home within the city within which they work. Their reasons might be lack of downpayment or other reasons that in the past have been figured to qualify for a conventional loan.

That is why if we can bring FHA up to today's standards, we can provide loans for these individuals who need to buy housing where they work, who can make the payment, and they can qualify for an FHA loan if we raise it in high-cost areas.

A situation many of my conservative friends, and I am extremely conservative on the Republican side, we had

the argument over is this a government program that is taxing people and basically providing a subsidy for somebody else, and it is really not. The people who qualify for FHA and get the FHA loans pay for the insurance. As a matter of fact, it makes a profit for the Federal Government.

Some people say, well, we need to raise the amount of premiums and the percentage based on what they are borrowing, and some still believe that is appropriate. If it is proven that the system is not breaking even, which it is today, then let's look at it; but there is no reason to raise premiums on a loan that we are basically trying to expand for more people the opportunity to qualify for.

Limiting the FHA's complicated downpayment calculation and traditional cash investment requirement is provided in this loan. It was a very cumbersome process. It was complicated. It did not need to be that way, and providing FHA the flexibility to set insurance premiums commensurate with the risk of the loan is in this bill, and that is most appropriate. They are basically saying that we are going to base the premium on how risky the loan is we are making to the individual, rather than coming up with some matrix that just says we are going to raise premiums overall for no proven reason.

This says, let's look at the risk based on the individual, and let's base the premium on that. It is a reasonable approach. It takes FHA and brings it up to the level it should be today. It takes a system that worked 70 years ago, worked 20 years ago, but today it does not because of the inflation in housing, the costs have gone so high, that FHA loans are so low, you could basically not provide that opportunity to people who really needed it.

I want to thank MAXINE WATERS who has been very helpful in this. We have had a lot of fun working together. There are some issues we don't agree on. This is one we are absolutely in lock-step on. In fact, it is amazing, between MAXINE and BARNEY FRANK and Chairman NEY and myself, the issues we have come together on in housing, trying to provide and meet the needs of our communities, and just by changing the rules offering expanded opportunity, we have come a long way to helping people get into a new home, both first-time home buyers and police and firemen who might be in their second or third home, but they just have trouble with the conventional marketplace because it puts them into a jumbo loan when you get up into these areas.

Savings to an individual for this type of a loan might be $170 a month. That is tremendous. It provides an opportunity that does not exist today, and it is a very good bill, and I ask for an ''aye'' vote.

Ms. WATERS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. MALONEY), who serves on the committee.

Mrs. MALONEY. Mr. Speaker, I rise in strong support of the Expanded Homeownership Act. It modernizes and moves the FHA into the realities of the housing market of the 21st century.

I want to build on the comments of my colleague MAXINE WATERS who has worked selflessly and devotedly on moving this legislation to the floor in a bipartisan effort.

There are three points that are particularly important to New York and the district that I represent. The bill raises the mortgage limits to 100 percent of area median income, thereby making more Americans eligible to receive loans under FHA.

Secondly, it expands coverage, not only to higher risk individuals, but also to cover condos and co-ops. I represent many people who live in high-rises. They live vertically as opposed to horizontally. This is an important change. Many more will be eligible for FHA support.

Thirdly, and very importantly to the elderly in New York City and around the country, it lifts the cap on the number of reverse mortgages HUD can insure, allowing many more elderly in our country to be able to stay in their homes.

I congratulate the leadership on both sides of the aisle. This is an example of the bipartisan effort in the Financial Services Committee that has moved forward meaningful legislation, and I particularly thank my colleague and ranking member of the committee, MAXINE WATERS.

Mr. NEY. Mr. Speaker, I yield back the balance of my time.

Ms. WATERS. Mr. Speaker, I yield 2 minutes to the gentleman from Washington (Mr. INSLEE).

(Mr. INSLEE asked and was given permission to revise and extend his remarks.)

Mr. INSLEE. Mr. Speaker, I would like to address a very important part of this bill that increases Americans' access to reverse mortgages.

Reverse mortgages are a tremendous vehicle by which Americans can get access to the equity in their home to make it available for health care, for assistance, for travel, for education; and now this bill will take three big steps forward to make reverse mortgages more available.

First, it will do so by having a uniform national cap so that it will remove this cap in a lot of areas in the country that have prevented Americans from having reverse mortgages.

Secondly, it will make it available for, essentially, homeownership, which might be in the best interests of senior citizens.

Third, it will remove the cap on the number of reverse mortgages that essentially can go through the FHA home equity conversion program, which now issues 90 percent of the reverse mortgages in the country.

So this is a fantastic opportunity, particularly for our seniors to be able to have access to the equity in their homes. It is a big stride forward. I know a lot of seniors are going to take advantage of it to make sure they can stay in their homes, to use their equity to finance having health care and assistance in their homes to give them their liberty.

I want to thank the bipartisan effort to put this together. I also want to thank noted author Tom Kelly who has been a great advocate for getting these reverse mortgages used by more Americans.

Ms. WATERS. Mr. Speaker, I yield 2 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE).

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, let me thank the chairman, Mr. NEY, and his ranking member, Ms. WATERS, for their constant enhancement of opportunities for homeowners, and allow me to congratulate the Congress who I hope will vote to add to the American Dream.

I come from a community where under 50 percent own homes. So we are still striving in Houston, Texas, to provide those opportunities. There are three elements that I think are very crucial in this legislation that would help expand that opportunity.

One, the risk-based pricing is a great step up. I have always argued that there needs to be some flexibility. Credit scoring has denied many of our hardworking taxpayers getting homes. This at least allows a risk assessment to be made on the homeowner's credit standing, and then if they emerge and do better, they can get out from under this assessment, and the ability for downpayment can range from high risk to low risk. That is good.

In addition, including the 100 percent financing for FHA is outstanding because in all of our jurisdictions, the costs of housing is going up. One hundred percent is far better than 87 percent. Even Houston is a high-dollar market as more competition comes in for housing.

I would also say that reverse mortgages is something that is an innovative tool. However, I hope in the legislation there is information to seniors so that they understand, and others who would partake of a reverse mortgage, what the pros and cons are so that, in essence, it is a positive and not a negative. You keep your house; you do not lose it. You are, in fact, given expanding opportunities.

So I congratulate my colleagues for answering the question, Is the American Dream of homeownership for everyone? Yes, it is. It is for Houstonians who have less of a 50 percent ownership. Yes, it is, and the Expanding American Homeownership Act of the Financial Services Committee is a good start.

I congratulate and ask my colleagues to support this particular legislation.

Ms. WATERS. Mr. Speaker, in closing, I would simply again like to thank

Mr. NEY for having brought to this floor perhaps the most significant piece of legislation of this session, a piece of legislation that is going to benefit all, so many Americans, a piece of legislation that is absolutely going to open up homeownership opportunities in ways that we could not have done. He saved one of the most significant Departments of government by understanding that the FHA was in danger and that it was about to become irrelevant; and because of this legislation, it is revitalized. It can do what those who originally envisioned its possibilities intended for it to do.

Mr. BACA. Mr. Speaker, I rise in strong support of H.R. 5121, the Expanding American Homeownership Act of 2006. I am proud to be a cosponsor of a bill that restores the Federal Housing Administration (FHA) program back to California's housing markets.

The FHA program has not kept up with the needs of underserved homebuyers. According to HUD estimates, the number of working families served by FHA has declined considerably with only 3 percent of home buyers using FHA loans. I am especially concerned that this decline has had a disparate impact on the State of California. In 2000, FHA insured 109,074 mortgages in California. But last year, FHA insured only 5,137 loans. This is a decrease of 95 percent in just five years—by far the largest in the country!

Many of my constituents are being priced out of the housing market because the cost of housing is too high. In fact, the median home price in San Bernardino County is $403,000 which is only affordable for 2 out of every 10 families. For these families FHA is not an option because the program's maximum mortgage limit is too low. As a result, FHA fell from providing 5,543 single family loans in my district in 2000 to just 199 loans last year. The FHA program has all but disappeared in my district, placing housing further out of reach for underserved communities!

If we don't pass the reforms in this bill, minority and low income families are left vulnerable in the housing market. Without FHA loans first-time and minority homebuyers with less-than perfect credit are left with fewer safe and affordable options. This creates an incentive for predatory lenders to steer them into more expensive and riskier loans.

H.R. 5121 will help reverse this trend by improving the FHA program so that FHA can offer better mortgage options to low and moderate income families and minorities. It reforms the FHA program by raising the loan limits for high cost areas from 87 percent of the conforming limit to 100 percent of that limit. This change is critical to California, where home prices and new home construction have eclipsed FHA's current limit of $362,790.

We must pass H.R. 5121 because it will allow the FHA program to reach underserved communities. All hard-working people deserve a fair deal in the homebuying process with a real chance to create better, more economically secure futures for their families.

Mr. Speaker, I express my full support of this bill and urge my fellow colleagues to adopt its final passage.

Ms. WATERS. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. HAYES). The question is on the motion offered by the gentleman from Ohio (Mr. NEY) that the House suspend the rules and pass the bill, H.R. 5121, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. FLAKE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this question will be postponed.

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, proceedings will resume on questions previously postponed.

Votes will be taken in the following order:

H.R. 5852, by the yeas and nays;

H.R. 4804, by the yeas and nays;

Motion to instruct conferees on H.R. 2830, by the yeas and nays.

The first electronic vote will be conducted as a 15-minute vote. Remaining electronic votes will be conducted as 5-minute votes.

## 21ST CENTURY EMERGENCY COMMUNICATIONS ACT OF 2006

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 5852.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Michigan (Mr. UPTON) that the House suspend the rules and pass the bill, H.R. 5852, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 414, nays 2, not voting 16, as follows:

[Roll No. 397]

YEAS—414

Abercrombie
Ackerman
Aderholt
Akin
Alexander
Allen
Andrews
Baca
Bachus
Baird
Baker
Baldwin
Barrett (SC)
Barrow
Bartlett (MD)
Barton (TX)
Bass
Bean
Beauprez
Becerra
Berkley
Berman
Berry
Biggert
Bilbray
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boren
Boswell
Boucher
Boustany
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (OH)
Brown (SC)
Brown, Corrine
Brown-Waite, Ginny
Burgess
Burton (IN)
Butterfield
Buyer
Calvert
Camp (MI)
Campbell (CA)
Cannon
Cantor
Capito
Capps
Capuano
Cardin
Cardoza
Carnahan
Carter
Case
Castle
Chabot
Chandler
Chocola
Clay
Cleaver
Clyburn
Coble
Cole (OK)
Conaway
Conyers
Cooper
Costa
Costello
Cramer
Crenshaw
Crowley
Cubin
Cuellar
Culberson
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (KY)
Davis (TN)
Davis, Tom
Deal (GA)
DeFazio
DeGette
Delahunt
DeLauro
Dent
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doggett
Doolittle
Doyle
Drake
Dreier
Duncan
Edwards
Ehlers
Emanuel
Emerson
Engel
English (PA)
Eshoo
Etheridge
Everett
Farr
Fattah
Feeney
Ferguson
Filner
Fitzpatrick (PA)
Foley
Forbes
Fortenberry
Fossella
Foxx
Frank (MA)
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gohmert
Gonzalez
Goode
Goodlatte
Gordon
Granger
Graves
Green (WI)
Green, Al
Green, Gene
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Herseth
Higgins
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Holt
Honda
Hooley
Hostettler
Hoyer
Hulshof
Hunter
Hyde
Inglis (SC)
Inslee
Israel
Issa
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
Jindal
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick (MI)
Kind
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
Kucinich
Kuhl (NY)
LaHood
Langevin
Lantos
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren, Zoe
Lowey
Lucas
Lungren, Daniel E.
Lynch
Mack
Maloney
Manzullo
Marchant
Markey
Marshall
Matheson
Matsui
McCarthy
McCaul (TX)
McCollum (MN)
McCotter
McCrery
McDermott
McGovern
McHenry
McHugh
McIntyre
McKeon
McMorris
McNulty
Meehan
Meeks (NY)
Melancon
Mica
Michaud
Miller (FL)
Miller (MI)
Miller (NC)
Miller, Gary
Miller, George
Mollohan
Moore (KS)
Moore (WI)
Moran (KS)
Moran (VA)
Murphy
Murtha
Musgrave
Myrick
Nadler
Napolitano
Neal (MA)
Neugebauer
Ney
Northup
Norwood
Nunes
Oberstar
Obey
Olver
Ortiz
Osborne
Otter
Oxley
Pallone
Pascrell
Pastor
Payne
Pearce
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Platts
Poe
Pombo
Pomeroy
Porter
Price (GA)
Price (NC)
Pryce (OH)
Putnam
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Reichert
Renzi
Reyes
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Ruppersberger
Rush
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Salazar
Sánchez, Linda T.
Sanchez, Loretta
Sanders
Saxton
Schakowsky
Schiff
Schmidt
Schwartz (PA)
Schwarz (MI)
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Sodrel
Solis
Souder
Spratt
Stark
Stearns
Strickland
Stupak
Sweeney
Tancredo
Tanner
Tauscher